No. 98-531

In the Supreme Court of the United States

OCTOBER TERM, 1998

FLORIDA PREPAID POSTSECONDARY EDUCATION EXPENSE BOARD, PETITIONER

v.

COLLEGE SAVINGS BANK AND THE UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF FOR THE UNITED STATES IN OPPOSITION

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QUESTION PRESENTED

Whether, in subjecting state entities to suit in federal court for patent infringement, Congress validly exercised its authority under Section 5 of the Fourteenth Amendment.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-26a) is reported at 148 F.3d 1343. The opinion of the district court (Pet. App. 27a-91a) is reported at 948 F. Supp. 400.

JURISDICTION

The judgment of the court of appeals was entered on June 30, 1998. The petition for a writ of certiorari was filed on September 28, 1998. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Respondent College Savings Bank (CSB) markets "CollegeSure® CD," a deposit contract for financing future college expenses. Respondent obtained a patent for its method of financing. Pet. App. 2a. Petitioner Florida Prepaid Postsecondary Education Expense Board, a corporate body created by the Florida legislature, see Fla. Stat. Ann. § 240.551 (West 1998), also markets an arrangement for paying future college expenses. See Pet. App. 28a-29a. Like respondent, petitioner agrees to provide a return on invested funds that is guaranteed to be adequate to finance the costs of a college education at specified dates in the future. *Id.* at 29a.

Respondent filed suit against petitioner, alleging that petitioner knowingly and willfully infringed its patent. Respondent sought declaratory and injunctive relief and damages. C.A. App. 100-103.* Although petitioner is a state entity, the Patent and Plant Variety Protection Remedy Clarification Act (Patent Remedy Act), Pub. L. No. 102-560, § 2, 106 Stat. 4230, 35 U.S.C. 271(h), 296, expressly subjects state entities to suit for a violation of the Patent Act. After this Court decided *Seminole Tribe* v. *Florida*, 517 U.S. 44 (1996), petitioner moved to dismiss respondent's Patent Act claim on Eleventh Amendment grounds. Pet. App. 38a. The

* Respondent filed a separate action alleging that petitioner had violated its rights under the Lanham Trade-Mark Act, 15 U.S.C. 1125(a). That action is not at issue here. We note that the district court dismissed the Lanham Act action on Eleventh Amendment grounds, the Third Circuit affirmed, and respondent has filed a petition for a writ of certiorari from the Third Circuit's judgment (No. 98-149).

United States intervened pursuant to 28 U.S.C. 2403 to defend the constitutionality of the Patent Remedy Act.

The district court denied petitioner's motion to dismiss respondent's patent infringement claim. Pet. App. 27a-91a. The court held that Congress validly abrogated the States' immunity from suit for infringement under the Patent Remedy Act. The court held that the Patent Remedy Act was a valid means of enforcing the Due Process Clause of the Fourteenth Amendment. *Id.* at 78a-86a. The court explained that "a patent is 'property' for purposes of the Fourteenth Amendment, and Congress can, under that Amendment, abrogate Eleventh Amendment immunity for claims under the Patent Act." *Id.* at 85a-86a.

2. The court of appeals affirmed. Pet. App. 1a-26a. The court held that Congress had clearly expressed its intent to abrogate the States' immunity from suit in federal court for patent infringement and that Congress was empowered under Section 5 of the Fourteenth Amendment to effectuate such an abrogation. *Id.* at 7a-26a. The court stated that "[i]n subjecting the states to suit in federal court for patent infringement, Congress sought to prevent states from depriving patent owners of their property without due process through infringing acts, an objective that comports with the text and judicial interpretations of the Fourteenth Amendment." *Id.* at 13a. The court also found a "'congruence between the means used and the ends to be achieved'" by Congress in subjecting the States to suit for patent infringement. *Id.* at 24a (quoting *City of Boerne* v. *Flores*, 117 S. Ct. 2157, 2169 (1997)).

ARGUMENT

The court of appeals correctly held that the Patent Remedy Act constitutes a valid exercise of Congress's

power under Section 5 of the Fourteenth Amendment. Review of that decision is not warranted.

1. Petitioner contends (Pet. 6, 9-15) that the holding of the court below that Congress had power under Section 5 of the Fourteenth Amendment to subject state entities to patent infringement suits conflicts with *Seminole Tribe* v. *Florida*, 517 U.S. 44 (1996). That contention is without merit.

In *Seminole Tribe*, the Court held that Congress lacked power under the Indian Commerce Clause to abrogate a State's immunity from suit. The Court did not, however, disturb its holding in *Fitzpatrick* v. *Bitzer*, 427 U.S. 445 (1976), that Congress has authority to abrogate a State's immunity when acting pursuant to Section 5 of the Fourteenth Amendment. *Seminole Tribe*, 517 U.S. at 59, 65-66. *Fitzpatrick* therefore continues to state the governing principle for cases involving exercises of congressional power under Section 5. Under *Fitzpatrick*, 427 U.S. at 456, "Congress may, in determining what is 'appropriate legislation' for the purpose of enforcing the provisions of the Fourteenth Amendment, provide for private suits against States or state officials which are constitutionally impermissible in other contexts."

Petitioner contends (Pet. 11-15) that Congress may not use its Section 5 power to circumvent the limitations on congressional power set forth in *Seminole Tribe*. The only limitations on congressional power set forth in *Seminole Tribe*, however, concern Congress's power to abrogate a State's immunity pursuant to Article I. Because no effort was made to defend the abrogation of immunity at issue in *Seminole Tribe* under Section 5, the Court had no occasion to address the limits on Congress's Section 5 abrogation power. While there are limits on Congress's Section 5 power,

they come from the text of Section 5, which provides that Congress shall have the power to "enforce" by "appropriate" legislation the guarantees of the Fourteenth Amendment, and from this Court's decisions interpreting the scope of that power. See *City of Boerne* v. *Flores*, 117 S. Ct. 2157 (1997). They do not come from *Seminole Tribe*. Petitioner's reliance on *Seminole Tribe* is therefore entirely misplaced.

2. Petitioner contends (Pet. 15-21) that the Patent Remedy Act is not a permissible exercise of Congress's power under Section 5. As the court of appeals concluded, however, the Patent Remedy Act is "appropriate" Section 5 legislation. Specifically, the Patent Remedy Act is a valid means of ensuring that state entities do not deprive patent holders of property without due process of law.

a. This Court long ago made clear that patents are a form of property. *Consolidated Fruit-Jar Co.* v. *Wright*, 94 U.S. 92, 96 (1876) ("A patent for an invention is as much property as a patent for land."); *Brown* v. *Duchesne*, 60 U.S. (19 How.) 183, 197 (1856) ("For, by the laws of the United States, the rights of a party under a patent are his private property."). Patents give their owners a right to exclude others from using an invention for a certain period, see *Kewanee Oil Co.* v. *Bicron Corp.*, 416 U.S. 470, 480 (1974), and that right of exclusion is among the "most essential sticks in the bundle of rights that are commonly characterized as property." *Kaiser Aetna* v. *United States*, 444 U.S. 164, 176 (1979). Because the right of exclusion conferred by a patent is a classic form of property, the Fourteenth Amendment, by its terms, prohibits state entities from depriving patent holders of that right without due process of law. By affording a post-deprivation remedy for patent infringements committed by state entities,

the Patent Remedy Act secures that basic Fourteenth Amendment guarantee.

Petitioner contends (Pet. 17) that the Patent Remedy Act conflicts with the holding in *Flores*, 117 S. Ct. at 2164, that "there must be a congruence and proportionality between the injury to be prevented or remedied and the means adopted to that end." Petitioner specifically asserts (Pet. 19) that subjecting state entities that engage in infringing activity to liability for treble damages and attorney's fees is excessive, and that Congress should have relied on *Ex parte Young* actions or suits by the United States instead. Under this Court's decisions, however, "[i]t is for Congress in the first instance to 'determin[e] whether and what legislation is needed to secure the guarantees of the Fourteenth Amendment,' and its conclusions are entitled to much deference." *Flores*, 117 S. Ct. at 2172 (quoting *Katzenbach* v. *Morgan*, 384 U.S. 641, 651 (1966)). Here, Congress reasonably concluded that, because those who engage in infringing activity may reap substantial financial benefits, a significant deterrent to such activity is necessary. Moreover, as the court of appeals noted, without access to such remedies, "a patent declines drastically in value." Pet. App. 23a. In those circumstances, Congress reached the permissible conclusion that a treble damages remedy and attorney's fees are appropriate to secure the Fourteenth Amendment rights of patent holders.

Petitioner also contends (Pet. 20) that Congress should have relied on state remedies to afford the due process that the Fourteenth Amendment guarantees. But Congress was not required to take a "piecemeal, state-by-state" approach to the enforcement of federal patent rights, Pet. App. 15a, that would leave the

protection of patent rights to "such variations as may exist among the states in remedies [offered] for alleged infringement of patents." *Ibid.* Congress was free to adopt a nationwide approach that would secure a baseline of protection for the Fourteenth Amendment rights of patent holders. *Oregon* v. *Mitchell*, 400 U.S. 112, 284 (1970) (opinion of Stewart, J.) ("In the interests of uniformity, Congress may paint with a much broader brush than may this Court, which must confine itself to the judicial function of deciding individual cases and controversies upon individual records.").

Congress reasonably regarded a state-by-state approach as particularly unsuitable in the area of patent protection. Because patent cases are "unusually complex, technically difficult, and time-consuming," H.R. Rep. No. 312, 97th Cong., 1st Sess. 22 (1981), Congress has vested exclusive jurisdiction over appeals arising under the Patent Remedy Act in the Federal Circuit, a specialized court that has considerable experience with such cases. See S. Rep. No. 275, 97th Cong., 1st Sess. 6-7 (1981). The substantial benefits of that experience would be lost in a significant class of cases if Congress were required to leave the enforcement of patent rights against state entities to state courts, and disuniformities in the application of federal patent law would be the likely result.

Petitioner argues (Pet. 20-21) that Congress acted without sufficient justification because it did not have evidence of egregious and systematic violations by state entities. To exercise its power under Section 5, however, Congress need not wait for patent infringements by state entities to reach emergency levels. "The legislative record of the Patent Remedy Act * * * discloses significant instances of alleged patent infringement by states or state entities." Pet. App. 21a;

see *id.* at 21a-22a (collecting cases). And Congress had reason to believe that state infringements likely would increase in the future. *Id.* at 22a. That factual record was more than sufficient to justify the remedy that Congress selected.

Finally, at a more basic level, petitioner's reliance on *Flores* ignores the fundamental differences between the Act held unconstitutional in that case and the Act at issue here. The Religious Freedom Restoration Act's "[s]weeping coverage ensure[d] its intrusion at every level of government, displacing laws and prohibiting official actions of almost every description and regardless of subject matter." *Flores*, 117 S. Ct. at 2170. Any action that substantially burdened anyone's religious practice was called into question, "even actions that were otherwise perfectly legitimate." Pet. App. 24a. In contrast, the Patent Remedy Act "speaks only to a state's unauthorized production, use, or sale of a patented device or method." *Ibid.* Congress's decision to subject state entities to suit for engaging in illegal commercial activity simply does not raise the concerns that animated the decision in *Flores*.

b. Petitioner contends (Pet. 22-26) that the decision below conflicts with the Fifth Circuit's decision in *Chavez* v. *Arte Publico Press*, 139 F.3d 504, rehearing en banc granted (Oct. 1, 1998), which held that Congress lacked authority under Section 5 of the Fourteenth Amendment to abrogate state immunity from suit for copyright infringement. But the Fifth Circuit recently vacated the decision in *Chavez* and ordered that the case be reheard en banc. Because the panel decision in *Chavez* has been vacated, it does not furnish a ground for review in this case.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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